

SBA

U.S. Small Business Administration

Fiscal Year 1997 Annual Report

Volume 1: Executive Summary

Dear Friends of Small Business:

In FY 1997 I charted a new course for the SBA, with the following five goals and objectives:

- increase opportunities for small business success,
- transform the SBA into a 21st century leading-edge institution,
- help families and businesses recover from disasters,
- lead small business participation in welfare to work, and
- serve as a voice for America's small business.

It turned out to be a year in which the agency set new records and found exciting new ways to assist entrepreneurs in the establishment, growth and success of their small businesses into the 21st century. In record numbers, entrepreneurs all over America took advantage of the SBA's financial assistance, counseling, technical advice, business development programs and disaster assistance.

With a loan portfolio of \$45 billion, the SBA's financial assistance programs helped tens of thousands of Americans start or expand their small businesses. Under the agency's flagship 7(a) and 504 loan programs, the SBA guaranteed a record \$10.9 billion in financing. The agency also worked to expand small businesses' access to the international marketplace by entering into new trade relationships and expanding existing ones.

As the face of America changes, we are expanding our efforts to introduce more women and minorities to the rewards of entrepreneurship and to provide them with greater access to capital. As part of this effort, the agency opened 10 new women's business centers and published many of its informational brochures in Spanish. The agency's minority and women's prequalification loan programs have enabled entrepreneurs to prequalify for bank loans before they enter the bank. *PRO-Net*, an online procurement network inaugurated in FY 1997, makes it easier and faster to track down qualified women- and minority-owned firms for federal, state and private-sector contracting opportunities.

The SBA has also taken a leadership role in the President's welfare to work effort. Working with the small business community — the source of most new jobs — the SBA in FY 1997 secured pledges to move nearly 13,000 persons from welfare to work. This is just the beginning of an ongoing effort.

Small business is thriving in America, thanks in good measure to a strong economy and the highly responsive policies of the Clinton-Gore Administration. The SBA is proud to serve as an advocate and voice for small business as national economic policy is being developed and implemented. Small business will benefit greatly from

significant tax law changes enacted in 1997, including provisions to restore home office deductions, and capital gains and estate tax relief for small businesses.

The SBA launched efforts to cut red tape and paperwork for small firms in the regulatory process. The agency's Regulatory Fairness Program, established in FY 1997, inaugurated a significant change in the way many federal agencies develop and enforce business regulations.

Consistent with the Administration's efforts to reinvent government, the SBA delivered its services in increasingly efficient, customer-friendly ways, and used new technologies to streamline services. The agency introduced *ACE-Net*, an electronic service that links small firms with investors across the country. In this arena as in others, the SBA continued to do a lot more — with a smaller budget and fewer employees.

The SBA's efforts pay off in ways big and small every day. Some of America's most successful corporations got help from the agency when they were struggling young companies. Today's mom-and-pop operation could join the ranks of Intel, Apple, Federal Express, America Online, Calloway Golf and Ben & Jerry's as an SBA success story. Or it could be just the best mom-and-pop shop on Main Street.

We are proud of our many accomplishments this year and look forward to the challenges and opportunities still ahead.

Aida Alvarez
Administrator

Overview

Congress created the U.S. Small Business Administration as an independent agency in 1953. The agency's primary mission is to help entrepreneurs start, build and grow their small businesses. The SBA Administrator serves as the small business community's advocate in the President's Cabinet.

To achieve the agency and Administrator's FY 1997 goals, the SBA worked with an \$888 million budget and a nationwide staff of 3,068. Disaster assistance personnel accounted for 1,386 additional employees. Of the \$888 million, \$509 million was appropriated for operations, \$187 million for loans, and \$192 million for the disaster loan program.

Volume 1 of the SBA's FY 1997 Annual Report provides a description of major program and operational highlights. Volume 2 lists the FY 1997 recipients of guaranteed business loans, surety bond guarantees and 8(a) contracts.

Fiscal Year 1997 Goals and Objectives

1

Increase Opportunities for Small Business Success

The SBA's first goal incorporates several of the agency's most important functions: increasing small business access to capital and credit, expanding access to federal procurement opportunities, and enhancing access to entrepreneurial development assistance. This goal embraces most of the major programs administered by the SBA: the loan guaranty programs; the venture capital programs; the minority enterprise development and government contracting programs; and the business education, counseling and training programs. The agency also focuses on small business opportunities available in the international marketplace.

Access to Capital

Perhaps the most important way the SBA helps small businesses to succeed is by providing access to capital. The SBA's loan guaranty and venture capital programs often make the critical difference between having a great idea and turning that idea into a thriving business. In fiscal year 1997 the SBA provided a record \$10.9 billion to small businesses through its major loan guaranty programs and \$2.4 billion through its venture capital program.

7(a) Loan Guaranty

The 7(a) Loan Program is the SBA's primary business loan guaranty program. It is an umbrella program that includes a number of different types of loans for small businesses that cannot obtain financing on reasonable terms through other channels. Generally the SBA can guarantee up to 80 percent or a maximum of \$750,000 of a private-sector loan. The guaranty reduces risk to the lender, expanding the lender's ability to make small business loans.

In FY 1997 the SBA's 7(a) loan approval dollars rose to their highest level ever — \$9.5 billion — with a special emphasis on lending to minorities and women. Out of 45,851 approved 7(a) loans, the agency guaranteed more than 9,900 loans worth more than \$2.3 billion to minorities. The dollar amount of these loans increased nearly 38 percent over the FY 1996 total. Since FY 1992, the number of 7(a) loans to minorities has increased by 270 percent, and the value of these loans has doubled. The dollar value of the 7(a) loans provided to women in FY 1997 was more than \$1.4 billion, up from \$1.3 billion in FY 1996 — a 152 percent increase since FY 1992.

FY 1997 was also a record year for SBA lending to small firms owned by veterans. The total was \$1.5 billion, up from \$1.36 billion in FY 1996. Loans to veterans have nearly doubled since 1992.

LowDoc

The agency's three-year-old Low Documentation Loan Program features a one-page SBA application, which reduces the paperwork burden for both small businesses and lending institutions. In FY 1997 the agency opened two new LowDoc processing centers and approved 14,734 loans for \$847 million under the program.

7(m) MicroLoan

The agency's MicroLoan Program provides short-term loans ranging from less than \$100 to a maximum of \$25,000. Microloan proceeds are designed for small-scale financing purposes such as inventory, supplies and working capital (excluding existing debts). SBA-approved nonprofit groups make the loans and provide counseling and educational assistance in conjunction with the loans. During FY 1997 the agency provided more than 6,300 microloans totaling \$65 million through 103 intermediary lenders and 22 non-lending technical assistance providers.

504 Certified Development Companies

The SBA 504 Program enables growing businesses to secure long-term, fixed-rate financing for major fixed assets such as land, buildings, machinery and equipment, or the building, modernizing, renovating or restoring of facilities. The financing is provided through certified development companies, nonprofit organizations sponsored by private interests, or by state and local governments. A key requirement of the program is that the assets be used principally to enable the business to create or retain jobs.

In FY 1997 the SBA's 504 Community Development Corporation loans totaled \$1.4 billion. Minority-owned businesses received 17 percent of the number of loans and 20 percent of the dollar value. In FY 1992 minority-owned firms received only 10 percent of the loans and 11 percent of the dollar value. The most dramatic increase between FY 1996 and FY 1997 occurred in both the number and dollar amounts of loans to Asian-owned businesses. In FY 1996 they received 3,293 loans worth \$877 million, and in FY 1997, 4,167 loans valued at more than \$1.3 billion.

Women-owned businesses also received larger shares of the number and dollar value of 504 loans. In FY 1996 they received 14 percent of the number of loans and 13 percent of the dollar value. In FY 1997 these numbers increased to 17 percent and 15 percent, respectively.

Defense Loan & Technical Assistance

The Defense Loan and Technical Assistance Program provides both financial and technical assistance to help defense-dependent small firms diversify into commercial markets when they have been adversely affected by defense cuts. DELTA loans must be used by the firms to retain jobs of defense workers, to create new jobs in

impacted communities, or to modernize or expand in order to remain in the national technical industrial base. Loans may be made under the 7(a) and/or the 504 programs.

The SBA continued to conduct DELTA outreach conferences in major market areas during FY 1997. During the fiscal year, 56 DELTA 7(a) loans were approved for \$23.1 million in SBA guarantees; the gross 7(a) DELTA loan amount was \$31.7 million. Eight DELTA 504 loans were approved for \$3.2 million in SBA guarantees. A total of 155 jobs were created and 29 jobs retained during the fiscal year as a result of the 504 DELTA loans. From the program's inception at the end of FY 1995 through FY 1997, 848 jobs have been created and 792 retained due to DELTA 504 lending.

Surety Bonds

By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many states, counties, municipalities, and private-sector projects and subcontracts also require surety bonds. Under the Surety Bond Guarantee Program, the SBA can guarantee bid, performance and payment bonds for contracts up to \$1.25 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels. During FY 1997 the agency guaranteed 4,021 bonds amounting to \$807 million in contract value. The SBA's share was \$615 million.

Export Working Capital

The agency's Export Working Capital Program provides short-term financing to small businesses for export-related transactions. Proceeds from the borrower's export sales are the primary source of loan repayment. Between FY 1996 and FY 1997, the volume of loans under the Export Working Capital Program grew from \$97 million to \$140.8 million — a 45 percent increase.

The agency also began developing ExportExpress during FY 1997. This program is intended to provide lenders with an automated, cost-efficient way to offer export loans to their customers via Internet technology. Specifically it will provide an early indication of the SBA's willingness to support an export transaction using the Export Working Capital Program; assistance with the payment risk involved in the transaction; and suggestions with regard to structuring the transaction.

Small Business Investment Companies

Small business investment companies are privately owned and managed, for-profit investment firms licensed by the SBA. They put risk capital, in the form of debt and equity financing, into small businesses for growth, modernization and expansion. SBICs use their own capital supplemented with SBA-guaranteed debentures or participating securities. The SBA licensed 33 new SBICs in FY 1997.

During the fiscal year, SBICs invested a record \$2.4 billion in 2,731 small business financing transactions. More than 90 percent of these financing transactions were equity-oriented. According to industry analysts, the SBICs made 28 percent more loans than private venture-capital firms; the dollar value of the SBIC loans represented approximately 24 percent of the aggregate volume. The average investment for an SBIC is \$880,000; for a private

venture capital firm, it is \$6.8 million. This demonstrates the SBIC Program's success in addressing the otherwise unmet needs of American small businesses for venture capital in the \$500,000 to \$5 million range.

One Stop Capital Shops

One Stop Capital Shops are the SBA's contribution to the Empowerment Zones/Enterprise Communities Program. This interagency initiative targets resources to selected distressed communities to address an array of social and economic needs. OSCSs provide access to a full range of SBA financial and technical assistance programs. They also provide access to programs of other federal agencies, state and local governments, and the private sector. During FY 1997 the SBA opened six new OSCSs — in Detroit, Mich.; Atlanta, Ga.; Oakland, Calif.; Bismarck, N.D.; Tacoma, Wash.; and Hugo, Okla. The total number of OSCSs is now 14. The SBA's Office of Field Operations administers the program for the agency.

U.S. Export Assistance Centers

The SBA continued in FY 1997 to be a full-fledged partner in the 19 U.S. Export Assistance Centers around the country. USEACs bring together the resources of the SBA, the Commerce Department, and the Export-Import Bank to provide small firms with trade promotion and export financing assistance.

NADBank/Community Adjustment and Investment Program

The Community Adjustment and Investment Program helps communities that have suffered job losses due to changing U.S. trade patterns with Mexico and Canada since the signing of the North American Free Trade Agreement. The CAIP is a partnership between the federal government and the North American Development Bank, a multinational financial institution created with the passage of NAFTA.

On June 18, 1997, the SBA and the Department of the Treasury signed an agreement making the SBA the first participating agency in the NADBank's CAIP. USDA and HUD are also participating agencies.

The SBA is also a member of the NADBank Finance Committee, which approves all domestic commercial commitments of the bank. In September 1997 the Finance Committee approved three SBA/CAIP loans totaling \$721,000. To be eligible, business applicants must be able to demonstrate that for every \$35,000 received in loans or loan guarantees, they will preserve at least one job, or create at least one job within the ensuing 24 months.

FA\$TRAK

FA\$TRAK, part of the SBA's Preferred Lenders Program, was implemented as a pilot program in February 1995. It streamlines the process by which a lender receives a guaranty from the SBA. To the maximum extent possible, FA\$TRAK uses the existing documentation and procedures of participating lenders. Lenders can use their own application forms, internal credit memoranda, notes, collateral documents, servicing documents and liquidation documents. Every effort is made to minimize the use of government-mandated forms.

Lenders participating in the pilot can attach an SBA guaranty to an approved loan without having to submit the loan to an SBA field office for a credit analysis or review. These loans are then sent to a single location (Sacramento, Calif.) for assignment of an SBA loan number and determination of borrower eligibility.

In return for this authority and autonomy, lenders agree to limit the maximum loan amount to \$100,000, accept a maximum guaranty of 50 percent, and waive payment on defaulted loans until after the lender has completed liquidation and the SBA has reviewed the underlying documentation supporting the loan. In FY 1997 this program accounted for 4,103 loans worth approximately \$191 million.

In FY 1997 there were 18 banks or bank holding companies participating in the program; together with their affiliates they presently number about 60 lenders. From its inception through September 30, 1997, FASTRAK has accounted for 7,329 loans totaling approximately \$328 million. The SBA is presently studying the program and is considering expansion to additional lenders.

Women's Prequalification Loan Program

The Women's Prequalification Loan Program provides current and prospective women business owners with specialized support and assistance with the SBA's loan application process. It also evaluates the ultimate impact this assistance has on the number of women entrepreneurs receiving SBA financial assistance. For loans under \$250,000, a prospective woman borrower can work with an SBA-designated nonprofit intermediary to develop a business plan and, as appropriate, a loan application package. The intermediary submits the completed package to the SBA for an eligibility and credit review. The SBA generally completes the approval process within three days. If the loan is approved, the agency issues a prequalification letter that represents a commitment to authorize a loan guaranty. With this letter in hand, the intermediary can assist the applicant in locating a lender willing to extend a loan.

Recently expanded, this program is now available at most SBA field offices. Nine hundred ninety-eight prequalification letters have been issued and 750 loans totaling \$77 million have been approved from the inception of the program on June 1, 1994, through September 30, 1997.

Minority Prequalification Loan Program

The SBA's Minority Prequalification Loan Program was initiated as a pilot program in 16 district offices in March 1995. The program has increased minority borrowing by providing minority loan applicants with specialized support and assistance with the SBA's loan application process.

In similar fashion to the Women's Prequalification Loan Program, a prospective minority borrower is encouraged, as appropriate, to work with an SBA-designated intermediary to complete a streamlined prequalification loan application. The intermediary then submits the application to the SBA for review. If the application meets the SBA's credit and eligibility standards, the agency issues a prequalification letter, usually within three days of receipt of the application. The intermediary can then assist the applicant in locating an interested lender. From March 1995 through FY 1997, the SBA issued 505 prequalification letters; 316 loans were approved for \$31 million.

This pilot program is currently available in the following SBA field locations: Boston, New York, Philadelphia, Baltimore, Columbia, Miami, Detroit, Milwaukee, Houston, Kansas City, St. Louis, Helena, Fargo, Los Angeles, Santa Ana and Seattle.

Liquidation Improvement Program

Since 1996 the SBA has strengthened its attention to loan defaults and recoveries through its Liquidation Improvement Program. Through timely completion of liquidation and litigation as well as other improved servicing actions, the SBA reduced loan purchases from FY 1996 to FY 1997 by 14.9 percent. Loan recoveries improved by 16.4 percent over the same time period. These efforts have greatly contributed to the overall improved performance of the SBA's loan portfolio. This has resulted in the continual lowering of the SBA's loan subsidy rates, which allows the SBA to leverage more loans for small businesses.

Entrepreneurial Development

While access to capital is a vital component for running a business, it's only part of the story. The SBA has a variety of programs and services to help equip entrepreneurs with the knowledge and tools they need to achieve their business goals.

Business Initiatives

Business information centers, located in SBA district offices, are joint partnerships between the SBA and the private sector. BICs provide the latest in high-tech hardware, software and telecommunications, as well as counseling services and training opportunities, to help start-up and expanding businesses. During FY 1997 the SBA opened three new BICs and upgraded equipment in 36 existing BICs. With the help of these additions, BICs provided nearly 120,000 small business owners with the latest technology to help them with their business-information research.

In addition, the SBA's Office of Business Initiatives developed a formula for distributing SBA administrative funds to the chapters of the Service Corps of Retired Executives. SCORE, with nearly 390 locally organized chapters in some 800 locations nationwide, matches volunteer business-management counselors with current and prospective small business owners in need of expert advice. The new formula enabled SCORE to assist 293,000 clients in FY 1997, an increase of more than 30,000 over the previous year.

In cosponsorship with ADP, a national corporation, Business Initiatives held a series of more than 50 seminars on the Electronic Funds Tax Payment System. Working in partnership with the Environmental Protection Agency, the office provided small businesses with information about the use of voluntary energy savings programs in their businesses. Through SBA district offices, Business Initiatives offered training seminars and produced and distributed written and electronic information.

Small Business Development Centers

Small business development centers are a cooperative effort among the SBA, the academic community, the private sector, and state and local governments. There are 57 SBDCs — one in every state (except for Texas, which has four), the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam — with a network of approximately 1,000 service locations. SBDCs provide counseling, training and technical assistance in all aspects of small business management. During FY 1997 SBDCs provided services to more than 600,000 small businesses, 100,000 more than in the previous year. With the help of the SBDCs, these small businesses created 93,000 jobs, and generated \$9.8 billion in sales and \$584 million in tax revenues.

Native American Affairs

The main focus of the SBA's Office of Native American Affairs is economic development and job creation for native individuals through small business ownership and education. The agency expanded the Tribal Business Information Center Program by opening three new centers in FY 1997. The 15 reservation-based BICs provided a total of 27,000 hours of counseling and technical assistance, and assisted in the creation of 106 new businesses and 157 new jobs.

The Office of Native American Affairs also organized the First National Native American Small Business Conference in partnership with the Office of Women's Business Ownership. Held in the fall of 1997, the conference drew members of 53 Tribes. There were 31 small business workshops covering the entire range of small business management, including opportunities in the international marketplace.

Women's Business Ownership

Through the Office of Women's Business Ownership, the SBA offers programs and services specifically designed to assist women in starting or growing a small business. Under community-based public/private partnerships, the agency sponsors 63 women's business centers nationwide. Ten of these centers opened in FY 1997. They are designed to train potential entrepreneurs — with special emphasis on young women, Spanish-speaking women and women formerly on welfare. Also in FY 1997, 10 specialty grants were awarded to women's business centers to target socially and economically disadvantaged women, including welfare recipients; it is anticipated that some 10,000 women will benefit from both the new centers and the specialty grants.

A nationwide study of the women's business centers has demonstrated that for every \$10,000 invested, one new business and four new jobs are created. Every month an average of 2,000 women receive training.

The Office of Women's Business Ownership, the Federal Reserve Bank and the National Women's Business Council sponsored 10 Access to Capital Workshops during the year.

Veterans Affairs

The SBA's Office of Veterans Affairs works closely with national veteran service organizations and other federal agencies in developing and monitoring the delivery of business-related services to veterans. During FY 1997 more than 36,000 veterans received counseling from the SBA, and more than 39,000 participated in training programs provided by the agency's resource partners. In cooperation with the Department of Veterans Affairs, OVA conducted three Town Hall/Business Opportunity conferences to provide increased procurement opportunities for

veteran-owned small businesses. Representatives from approximately 600 small businesses attended.

The office also entered into an arrangement with the Department of Labor to provide information on SBA programs in state veterans' offices. This will place SBA brochures in 17,000 new locations, with the potential to reach 2 million veterans.

International Trade

The SBA's Office of International Trade is the only office in the federal government that exclusively targets small business clients for export finance and trade promotion assistance. Its mission is to expand employment and income opportunities for small businesses through increased exports of U.S. goods and services.

During FY 1997 the SBA continued its strategic partnerships with Russia and Ireland, and explored new alliances with Mexico, Argentina, Egypt, Canada and South Africa. The agency became a permanent member of the Gore-Chernomyrdin Commission and helped Russia develop a loan guaranty program in partnership with its lenders.

The Small Business Exporters Association recognized the SBA's trade finance efforts with the Ronald H. Brown Export Enhancement Award.

Minority Enterprise Development

The SBA's Office of Minority Enterprise Development is responsible for assisting the development of small firms owned and operated by individuals who are socially and economically disadvantaged. From FY 1992 to FY 1997, the value of 8(a) contracts has increased from \$4.9 billion to approximately \$6.3 billion.

MED conducted a series of briefings around the country for more than 1,000 procurement officials to discuss the 8(a) Program in the post-Adarand environment. This effort was the result of a great deal of discussion and debate concerning the status and future of the 8(a) Program. In conjunction with these briefings, MED sponsored 11 business-development training forums for more than 500 8(a) firms.

On August 14, 1997, the SBA Administrator held a press conference to announce the release of proposed 8(a) regulations for public comments. This was the culmination of a two-year effort by MED staff to develop proposed regulations that would strengthen and improve the 8(a) Program.

MED's Division of Business Development, which is responsible for the 8(a) and 7(j) business development programs, was realigned in May 1997. The division delegated operational and case-related responsibilities to field offices. This enabled resources at headquarters to be focused on formulating policy and procedures, providing technical assistance and support to field offices, and conducting programmatic monitoring and oversight.

MED also instituted a Best Practices Review process for site visits to district offices that service an 8(a) Program portfolio. The process emphasizes off-site file review, and on-site discussions with program staff, the acquisition community and 8(a) participants.

As a result of these reviews, MED is providing field staff with "hands-on" guidance and assistance consistent with current laws, regulations and procedures. The office is also providing technical assistance to servicing district

offices in support of high-quality, substantive assistance and outreach to 8(a) Program participants and to procuring agencies.

During FY 1997 the office established the administrative structure for initiating and managing the Small Disadvantaged Business Certification Program — a nationwide initiative to ensure that SDBs receive a fair share of federal procurement dollars. MED has developed an SDB database, created process flow models, and developed a training module and a new SDB application. The program is expected to be implemented throughout the federal government in FY 1998.

Among MED's responsibilities is processing applications for the SBA's 8(a) Program. The office continued to reduce the number of days it takes to do this task. In FY 1997 MED processed 8(a) applications in an average of 69 days; in FY 1993 it took an average of 208 days. Work-process improvements instituted during the year resulted in a 31 percent improvement in on-time processing of the applications.

MED also implemented procedures to streamline the review process and promote the consistency of 8(a) applications from concerns owned by an Alaskan Native Corp. This effort resulted in the increased participation of ANC-owned firms into the 8(a) Program. Nine applications from ANC-owned concerns were received and processed within only 30 days.

For the first time, a business owned by a Community Development Corporation was certified for participation in the 8(a) Program. Profits generated by the certified business will be used to help provide jobs and training opportunities to residents of the Anacostia and Far Southeast sections of Washington, D.C. Through the SBA's field offices, MED will work with and encourage other CDC-owned concerns to apply for the 8(a) Program.

At the same time, MED continued its efforts to ensure that only eligible firms receive the benefits of the 8(a) Program. A new computer tracking system for terminations, graduations, suspensions and voluntary withdrawals was developed and implemented. During the fiscal year, the office terminated 290 ineligible firms and processed 107 voluntary withdrawals.

MED also began delegating 8(a) contracting authority throughout the government by negotiating memoranda of understanding with individual procuring agencies. The first MOU was a pilot agreement with the U.S. Department of Transportation to delegate contracting authority to a number of DOT procurement offices. Delegation should make the 8(a) contracting process simpler, more timely and more effective.

Federal Contracting

The SBA's Office of Government Contracting along with the Office of Personnel Management conducted a pilot program that required formal subcontracting plans from Blue Cross/Blue Shield and six other carriers in the Federal Employees Health Benefits Program. Since some 72 percent of all federal employees are enrolled by these seven carriers, the carriers may be in a position to provide significant opportunities for small businesses as subcontractors and suppliers. Although Public Law 95-507 created the requirement for subcontracting plans in 1978, this is the first time that FEHBP health carriers have ever been required to comply. OPM has been so pleased with the initial results of the pilot that it has agreed to expand the initiative in FY 1998 to include all divisions of Kaiser Permanente throughout the United States. In August 1997 OGC reviewed 18 subcontracting plans

representing \$92 million in revenues for small business. Of the total, \$22 million was for small disadvantaged businesses and \$22 million for women-owned small businesses.

OGC also proposed a training initiative to increase the participation of women-owned business firms in the federal marketplace. The premise of the initiative was that training and sharing of information are key factors influencing federal market access. Referred to as the “Dollars and Sense for Women-Owned Business Workshops,” the program consisted of 36 workshops. Conducted at SBA district offices nationwide, the training reached more than 3,000 women business owners.

In an effort to streamline the procurement process and reduce overhead and administrative costs, many federal agencies have begun bundling small contracts that have been performed or could be performed by small businesses into larger, consolidated contracts. Viewing contract bundling as having a negative impact on the ability of small businesses to successfully participate in the federal marketplace, OGC developed a program in FY 1997 to identify and challenge attempts by federal agencies to bundle contracts. Added to the office’s Internet home page, a bundling hot line began identifying cases of bundling by federal agencies. During the fiscal year, SBA procurement center representatives identified and investigated 59 cases of contract bundling with an estimated value of approximately \$7 billion. A number of these cases were successfully challenged, resulting in the breakup of large bundled contracts into smaller contracting opportunities either set aside for small business or offered to the SBA for the 8(a) Program.

Research & Development

The SBA’s Office of Technology administers two technology-based programs for small business — the Small Business Innovation Research Program and the Small Business Technology Transfer Program.

Under the SBIR Program, small businesses submit and receive grants to research and develop innovative ideas that meet the stated needs of participating federal agencies. The ultimate goal is commercialization of their efforts. FY 1997 was a record year for this program. Funding of SBIR firms grew from 2.0 percent to 2.5 percent of the extramural research and development funding allocated to the 10 participating federal agencies.

The Small Business Technology Transfer Program requires each small firm that competes for a research and development project to collaborate with a nonprofit research institution. It is a joint venture from the initial submission of the proposal to the completion of the designated effort.

The office significantly improved and increased its outreach to women-owned high-technology firms during the fiscal year. In cooperation with the agency’s Office of Women’s Business Ownership, the office initiated a pilot program specifically designed to encourage women-owned businesses to participate in the SBIR and STTR programs. Conferences for this purpose were held in Denver, Dallas, Los Angeles and Boston.

The STTR Program, scheduled to expire at the end of the fiscal year, was reauthorized by Congress to continue through FY 2000. Throughout the lengthy process, the Office of Technology provided extensive information and testimony to ensure this successful outcome.

Size Standards

The SBA's Office of Size Standards develops and revises small business definitions, or size standards. In FY 1997 the office revised the agency's affiliation provision to allow small business investment companies to co-invest in small businesses with venture capital companies. This should expand the amount of capital available for small businesses under the SBA's SBIC Program.

Additionally, the office conducted a comprehensive review of federal contract awards to small and emerging small businesses under the Small Business Competitiveness Demonstration Program. Submitted to Congress, the report demonstrated that most of the 10 agencies participating in the program met the 40 percent target goal for small business in three of the four specified industry categories. In the fourth industry category, however, most of the 10 agencies did not meet the 35 percent target goal. The review also revealed that there has been a decline in the percentage of government contracts awarded to small businesses compared to the level attained in 1991.

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Transform the SBA into a 21st Century Leading-Edge Institution

This second goal of the SBA envisions an agency that uses technology more effectively, employs sophisticated techniques to identify and manage risk, delivers credit faster and less expensively, uses innovative products to meet differing customer needs, and protects the taxpayers' interests.

Committed to becoming a 21st century leading-edge institution, the SBA is working on several fronts to make this a reality. The SBA's Office of the Chief Information Officer has been at the forefront of this effort.

FA\$TRAK

The agency has been testing the feasibility of processing applications for SBA FA\$TRAK loans under \$100,000 via the Internet. The process enables lenders to electronically transmit all relevant borrower and loan information to the SBA, which in turn completes an immediate eligibility review and provides a loan number. Using the Internet, FA\$TRAK loan applications can be turned around for approval in as little as five minutes. The goal is to reduce processing time, paperwork and red tape.

During a six-month period in FY 1997, three FA\$TRAK lenders used their secure Internet link with the SBA to submit more than 150 loan applications. Two additional FA\$TRAK lenders will join the "electronic SBA" in 1998. Current FA\$TRAK development work will implement digital signature technology to replace "wet" signatures, enabling secure on-line loan authorizations and approvals in a paperless environment.

Online Women's Business Center

The Office of Women's Business Ownership is developing the Online Women's Business Center, the first interactive Internet site for training women who want to start or grow their businesses. The Online Center will begin operations in FY 1998.

The SBA Home Page

The agency's web site — www.sba.gov — continues to grow in both content and audience. Overall content has increased by 3,000 pages — or more than 40 percent — over FY 1996; the number of hits on the site has reached more than 2 million per week, which is up 115 percent over FY 1996. Peak access rates exceed 22,000 per hour.

Microsoft Exchange E-Mail

In the first half of 1997, the agency completed its migration to Microsoft Exchange e-mail, a modern electronic messaging system based on client-server technology. The system required construction of a dedicated network of supporting hardware to provide reliability and redundancy for the agency's e-mail. The system covers 99 percent of the agency. This technology helps the SBA take full advantage of the wave of electronic communications that has blanketed the commercial sector over the past two years. It is also a key component of the rapidly evolving electronic commerce infrastructure that links government agencies to each other and to their private-sector resource partners.

Your Electronic SBA

Like its corporate cousins, the SBA has introduced an Intranet system — Your Electronic SBA (YES!) — that offers quicker and more complete access to on-line information for SBA employees in every networked office. YES! provides SBA professionals with more than 6,000 pages of information for and about the agency. By making much of the agency's standard information web-accessible, YES! is expected to save countless hours of staff time and ensure the accuracy and timeliness of the agency's internally used information.

The Year 2000

The Year 2000 date change will affect nearly all existing computer systems. To address this problem, the agency is following a standard Year 2000 conversion model that relies on a sequence of key processes — awareness, assessment, renovation, validation and implementation — to identify, transform and test all potential sources of trouble connected with the date change.

During FY 1997 the SBA assessed its entire inventory of computer systems and identified 40 major mission-critical systems containing nearly 1.2 million lines of computer code. By the close of the fiscal year, more than 68 percent of that computer code had been made Year 2000 compliant. The agency also identified the critical “exchange and interface” links that may be liable for Year 2000 glitches and began working with external and government resource partners to develop solutions. The agency plans an aggressive program of renovation and testing to ensure that its computers and systems are ready to weather the millennium date change.

The U.S. Business Advisor

This SBA-initiated, Internet-based, one-stop shop for government business information, continued in FY 1997 to be used as a model for electronic access to government. The web site — www.business.gov — has links to 60 government agencies and more than 500,000 electronic addresses. The U.S. Business Advisor team received a Hammer Award from the Vice President's National Performance Review for innovation in the public sector. The interagency team continues to redesign the site, based on comments from the business people who use it. The site provides information on capital, payroll, taxes, exports, software, benefits and other business-related topics.

MicroLoan Program

The SBA's Office of the Chief Information Officer and Office of Financial Assistance initiated a pilot for the MicroLoan Program that made it possible for MicroLoan intermediary lenders to submit activity reports via the Internet. These reports contain data on individual loans made to small entrepreneurs by those intermediaries; they will replace quarterly paper-based reports with current information on a loan-by-loan basis.

PRO-Net™

The establishment of the Procurement Marketing & Access Network, a nationwide, Internet-based database of small business profiles, has been accomplished through the combined efforts of the SBA's Office of Advocacy, Office of Government Contracting and Office of the Chief Information Officer. Vice President Gore announced the availability of PRO-Net™ to the public in June 1997. The PRO-Net™ web site is pronet.sba.gov.

The small business profiles in the database are available to federal government contracting officers, state governments, and prime and other contractors seeking small business contractors, subcontractors and/or partnerships. A search engine for contracting officers, PRO-Net™ serves as a digital marketing tool for small firms. It is also a source of procurement opportunities through links to the Commerce Business Daily and federal and state agency home pages. After a pilot period, PRO-Net™ was migrated into SBA's web environment and is now part of the agency's family of Internet information that serves the small business community. PRO-Net™ has replaced the agency's Procurement Automated Source System, or PASS.

ACE-Net

The Angel Capital Electronic Network, the Internet project of the SBA's Office of Advocacy, became operational in October 1996. ACE-Net — available at www.sba.gov/advo — is a nationwide network that provides new options via the Internet to small companies looking for investors and investors looking for promising opportunities. The office developed ACE-Net in consultation with the Securities and Exchange Commission, state securities regulators and the North American Securities Administrators' Association.

Freedom of Information Act Electronic Reading Room

With the assistance of the Office of the Chief Information Officer, the SBA's Office of Hearings & Appeals created and began testing a Freedom of Information Act electronic reading room. The reading room, which implements the requirements of the 1996 FOIA Amendments, includes a FOIA home page with hot links to the SBA home page and other public sources. It is scheduled to be available to the general public early in FY 1998. Also with the help of OCIO, the office developed a new electronic tracking system to track incoming FOIA requests.

8(a) Electronic Application

To better serve the small, disadvantaged business community, the Office of Minority Enterprise Development developed and implemented the 8(a) Electronic Application Pilot. The initial pilot phase began in the last quarter of

FY 1996 and was completed in February 1997. Based on the results, the office made changes to the system to improve its user friendliness and functionality. The system now incorporates the use of the Internet for application distribution. The pilot successfully reached its goal of reducing the processing time of 8(a) applications to 15 days. Additional enhancements are planned for FY 1998.

TradeNet

Under the Vice President's ACCESS AMERICA Initiative, the SBA designed, received interagency funding for, and began the development of TradeNet, an interactive, multi-agency, multi-functional web site. TradeNet is designed to increase U.S. export sales and help small businesses take advantage of exporting opportunities. The web site is expected to be online in 1998.

Electronic Data Interchange and Electronic Fund Transfer

The agency used EDI and EFT with 39 lenders (138 more have agreed to participate) channeling 21 percent of guaranty fee collections — more than \$1 million a month — electronically.

3

Help Families and Businesses Recover from Disasters

In addition to its many other activities, the SBA acts as the federal government's disaster bank. Since 1953 the agency has provided more than \$25 billion in disaster assistance loans.

The SBA's Disaster Assistance Loan Program is the primary federal program for funding long-range recovery for private-sector, nonagricultural disaster victims. The office provides assistance to eligible businesses of all sizes as well as to eligible individuals. Providing disaster loans when a declaration is made by the President or the SBA Administrator, the SBA delivers the loans through four disaster area office locations: Niagara Falls, N.Y.; Atlanta, Ga.; Ft. Worth, Texas; and Sacramento, Calif.

As is virtually the case every year, the Office of Disaster Assistance was very busy in FY 1997. It approved 49,515 loans for a total of more than \$1.1 billion. This was an increase of 31 percent in the number of loans and 15 percent in dollars over the figures for FY 1996. At the same time, salaries and expenses for the year were approximately \$2 million less than in FY 1996.

In all, the office approved loans for 11,488 businesses with 88,783 employees. The program also helped 33,027 homeowners and renters rebuild their lives with disaster loans totaling more than \$627 million.

The largest single disaster of FY 1997 was the Upper Midwest floods in North and South Dakota, and in Minnesota. The floods began in April, and in the ensuing months the program provided a total of \$274.6 million for 10,563 loans. The winter floods in Northern California were nearly as challenging. The office disbursed more than \$116.9 million for 3,072 loans. A little known fact is that approximately 75 percent of the agency's disaster assistance aid goes to homeowners and renters.

The Office of Disaster Assistance met its FY 1997 goal to complete damage surveys in 95 percent of the cases within three days of a governor's request. The staff also provided loan decisions to 85 percent of all loan applicants within 7-21 days.

The office instituted a major change in the loan-application process in FY 1997. Historically, businesses that incurred both physical damage and economic injury as a result of a disaster had to complete two separate loan applications. Once the applications were approved, the borrower was required to complete two sets of loan closing documents and make two separate loan payments. These two loans are now combined, and the business has to make only one loan payment. As a result, it takes the office less time to perform the loan-processing paperwork, and the costs for loan closings have been reduced.

In cooperation with the Office of Financial Operations, the Office of Disaster Assistance successfully test-piloted the disbursement of disaster loan proceeds through electronic funds transfer. This system virtually eliminates lost or stolen checks. It also reduces the time it takes the borrower to receive the funds; what used to take seven to 10 days by check is now accomplished within two days electronically.

Also during FY 1997, the Office of Disaster Assistance completed automation of the disaster home loan process. The office estimates that this will eliminate approximately 75 percent of the loan processing errors, as well as increase productivity by 20 percent. The automated program incorporates complete disaster program knowledge and current loan-processing procedures to ensure, to the maximum extent possible, that all loans are processed in accordance with established procedures. The system reduces the training time for loan officers, improves productivity, and eliminates redundant data entry in preparing the loan authorization/agreement and the loan-closing documents.

4

Lead Small Business Participation in Welfare to Work

The fourth goal for the SBA is to take a leadership role for small business participation in moving people from welfare to work. As the creator of most new jobs in the economy, small businesses are the most likely providers of jobs for former welfare recipients.

In 1996 Congress and the Administration agreed to legislation to end welfare as we have known it in the United States. In order for this historic initiative to succeed, small businesses have been asked participate in efforts to provide jobs to former welfare recipients. The President has tasked the SBA with the responsibility of spearheading this effort within the small business community.

The SBA initiated its welfare to work outreach in 1997. Following are the major accomplishments of the Welfare to Work Office:

- **Pledges.** Through our small business development centers, the agency received more than 600 pledges from small businesses to hire former welfare recipients; more than 10,000 pledges came through the SBA's Office of Women's Business Ownership.
- **Partnerships.** The office established a partnership with Vice President Gore's Welfare to Work Coalition to Sustain Success. On Aug. 14, 1997, the agency co-sponsored a conference with the U.S. Chamber of Commerce to begin partnering with trade organizations.
- **Interagency Cooperation.** The office initiated cooperative efforts on welfare to work initiatives with other federal agencies, such as the Department of Labor and the Department of Health and Human Services, and with the White House. Additionally, the SBA spearheaded the Interagency Committee on Women's Business Enterprise, which is co-chaired by the Chair of the President's Council of Economic Advisors.
- **Data Collection.** The collection of data on small business needs and labor shortages has been important to the welfare to work effort. The office began supporting the SBA regional and district offices in gathering information on activities taking place at the local level; staff also initiated meetings with local governments and established connections with local job training programs.
- **Informational Materials.** The office developed informational materials for the SBA's resource partners and small businesses interested in welfare to work efforts. The materials distributed included publications from the American Public Welfare Association on the effects of welfare reform, statistics on small businesses, information on tax incentives and welfare caseload numbers. The welfare to work team began communicating on a regular basis with field office staff working on welfare to work issues.
- **Database.** Staff developed a database to track small businesses interested in welfare to work at the district level. In FY 1998 the office will begin referring small businesses directly to local intermediaries and community resources.

Role of the Office of Human Resources

The President announced his initiative to hire welfare recipients into federal jobs on March 8, 1997. The SBA has committed to hiring and retaining 120 welfare recipients, 30 each year, over the next four years. As a percentage of the agency's total workforce, this commitment represents one of the highest in the federal government. In fact, it is only exceeded by the Department of Commerce, which has committed to hiring welfare recipients on a temporary basis to support the Year 2000 Census. At the close of FY 1997, the SBA had 32 new hires on board — eight in headquarters and 24 in field offices nationwide. Vice President Gore recognized the SBA at a White House Ceremony in 1997, with a Hammer Award for its leadership among the federal agencies that hired the first 1,000 welfare recipients.

5

Serve as a Voice for America's Small Business

While the goal of serving as a voice for America's small business belongs to the SBA as a whole, it is perhaps expressed most directly through the agency's Office of Advocacy.

Advocacy

The SBA's Office of Advocacy was created by an act of Congress in 1976 to protect, strengthen and effectively represent the nation's small businesses within the federal government's rule-making processes. As part of this mandate, the office conducts policy studies on issues of concern to small business and also compiles and publishes data on small business characteristics and contributions.

Tax Policy

The Office of Advocacy worked actively in FY 1997 to obtain Administration support for the following significant tax changes:

- restoration of deductions for home office expenses;
- adoption of new tax provisions to make pensions simpler, safer and more generous for small business owners;
- phasing in of deductions to 100 percent of health insurance costs;
- adoption of capital gains relief with the rollover of capital gains from investments in and for qualified small businesses; and
- reform of estate taxes to ease the transfer of a small business to heirs on the death of the owner.

Small Business Regulatory Enforcement Fairness Act

During FY 1997 the Office of Advocacy conducted a three-day program on SBREFA for small businesses and trade associations, educated the legal community on new small business rights under the Act, conducted outreach to federal agencies on new obligations for compliance with the Regulatory Flexibility Act, and submitted extensive comments to federal agencies on the impact of specific regulations on small businesses. Additionally, the Chief Counsel for Advocacy weighed in on several court cases brought by small businesses against federal agencies for their failure to comply with the Regulatory Flexibility Act. The Office of Advocacy met with officials from both the federal agencies involved and the Department of Justice, achieving compromises for small businesses in several cases.

Study of Job Creation by Small Business

In cooperation with the Bureau of the Census, Advocacy developed a long-term database to study the role of small firms in the creation of jobs. This database is the first effort to study the dynamics of job creation over time. It provides support for public policies that recognize the vital role small firms play in this process. As a result of this database, for example, we know that small businesses created more than 12 million jobs between 1992 and 1996.

Bank Lending to Small Businesses

The office completed its third annual report on the small business lending activities of the nation's commercial bank lenders. The study analyzes the call reports filed by all federally regulated banks. The analysis determines which banks, both large and small, are most likely to lend to small businesses, and to provide small loans and microloans. The banks are categorized by the percentage and dollar volume of their lending to small businesses. The goals of the report are to provide small businesses with an easy-to-use tool for locating potential sources of loans in their communities and to stimulate competition among banks for increased small business lending.

Contract Bundling

A gradual increase in the practice of consolidating small procurement solicitations by the federal government into larger bundled contracts has been causing harm to many small businesses. A study completed by the Office of Advocacy in 1997 found an 11 percent decline in the number of federal contracts awarded in 1995. There was, however, an increase in average contract value, suggesting a gradual consolidation of work among federal vendors along with fewer opportunities for small businesses. This research provides background data for policy makers in considering new ways to expand competition in federal contracting and to allow more opportunities for small businesses.

Implementation Support for the 1995 White House Conference on Small Business

In the legislation authorizing this conference — the third national conference of this type — Congress mandated that the SBA monitor and report the progress in implementing the ensuing recommendations to the nearly 2,000 conference delegates. The Office of Advocacy established networks of delegates and provided information through “regional issue chairs.” In September 1997 the office sent the second annual implementation report to Congress, the President and the delegates. This report indicated unprecedented progress in implementing recommendations.

Communications & Public Liaison

Public Communications

The Office of Public Communications ensures that the SBA's mission, programs, services and initiatives are articulated clearly and consistently to the small business community and to the general public. The office issues

press releases to local and national media, arranges press conferences for and interviews with the Administrator, and arranges and hosts many of the agency's annual Small Business Week activities. Innovations during FY 1997 included press conference calls, videos of the Administrator's participation in events, enhanced use of the SBA web site for press information, and an e-mail newsletter — The Administrator's News — to keep all SBA staff informed of the Administrator's activities on behalf of the agency.

The Office of Marketing & Customer Service

The Office of Marketing & Customer Service develops and produces the agency's marketing and promotional materials in support of the agency's program offices at headquarters and field offices nationwide. In the areas of market research and customer satisfaction, the office published and distributed the 1997 Participating Lenders Survey Report, the first of its kind. Additionally, OMCS obtained approval from the Office of Management and Budget to perform an additional 17 customer surveys over the next three years.

In its ongoing efforts to save the agency money, the office continued to eliminate duplicative and nonessential publications. For example, the office successfully combined several publications on different business-management topics into one publication — *Starting a Small Business*. This has become one of the SBA's most popular publications.

As part of the agency's increased outreach to new markets, the office printed a number of its publications for the first time in Spanish. Several of the record number of trade shows the SBA participated in during the year focused on the historically underserved. These included trade shows in conjunction with the annual conferences or conventions of the National Urban League, the National Council of La Raza, the U.S. Hispanic Chamber of Commerce, and the National Association of Hispanic Publications. In its effort to provide the SBA's lenders with more marketing tools, the office also participated for the first time, in the bi-annual meetings of the National Association of Government Guaranteed Lenders, Inc.

A high-profile accomplishment of the year was the signing of a Memorandum of Understanding with Microsoft Corporation, which resulted in the publication of three million inserts featuring the SBA to the March 31, 1997, edition of *Newsweek*. The office also worked in cooperation with the George Washington University to engage MBA marketing students in developing detailed marketing plans for the Office of Women's Business Ownership, the Welfare to Work Initiative, and the Procurement Marketing & Access Network.

Office of Congressional & Legislative Affairs

The SBA's Office of Congressional and Legislative Affairs has two principal functions: devise and implement a legislative strategy for the agency; and provide a focal point for communications with Congress, the White House and other government agencies to meet the mission and goals of the SBA.

Early in 1997 the office successfully completed the confirmation process for Administrator Aida Alvarez. Many of the agency's existing programs required reauthorization, as did new initiatives. New authorizations included:

- converting the pilot MicroLoan Program to permanent status;
- increasing the federal government's procurement goal for small business from 20 to 23 percent; and

- changing the eligibility for the DELTA Program — enabling more small businesses to be eligible, increasing the guaranty percentage for the program to 80 percent, and extending the program until all funds are expended.

During the fiscal year, the office prepared for and conducted follow-up on 24 congressional hearings that featured SBA witnesses.

Regulatory Fairness

In FY 1997 the SBA created a Regulatory Fairness Program to complement the Small Business Regulatory Enforcement Fairness Act of 1996. As a part of this program, the agency has created 10 regional regulatory fairness boards. This program is a landmark effort to bring small businesses to the table in the regulatory process and to ensure that the enforcement process is fair and reasonable.

The Regulatory Fairness Program has set up a toll-free number — 1-888-REG-Fair — and an Internet site — www.sba.gov/regfair — so small businesses can obtain information, pertinent forms, and comment on government enforcement actions.

6

Internal Operations

Chief Financial Officer

In FY 1997, for the second year in a row, the SBA's financial statements received an unqualified opinion from an independent auditor. This unqualified opinion reflects the results of the agency's increased attention to financial integrity and accountability.

The Office of the Chief Financial Officer made numerous financial management improvements during FY 1997. Among the highlights:

- **Financial Statements.** The SBA remains one of only six federal agencies — and the only credit agency — to receive an unqualified opinion on its financial statements.
- **Subsidy Rates.** The office dramatically improved the capability of analyzing the SBA's subsidy rates. As a result, the subsidy rates are becoming more accurate, credible and stable.
- **Cash Management.** The OCFO increased electronic collections to 30.4 percent through continuing partnerships with the Treasury Department, Price-Waterhouse, CheckFree Corporation, and agency peer organizations.
- **Interest Penalties.** With improved tracking and resolution of invoices, the SBA paid fewer interest penalties in FY 1997 (8 percent of the invoices) than in FY 1996 (11 percent).

Field Operations

The SBA's Office of Field Operations serves as the liaison among the agency's district offices, its program delivery system, and headquarters administrative and program offices. In this role, the office facilitates, advocates and communicates on behalf of both field and headquarters offices. The office provides guidance for the delivery of programs, establishment of district office strategic plans, establishment and monitoring of district office program goals, review of district and regional managerial personnel performance, oversight of field budget and administrative areas, and evaluation of district office internal controls and program implementation.

Following are the major accomplishments of the office during FY 1997:

- **Establishment of district office program goals** to provide focus to the agency's priorities. The result was a dramatic increase in the number of traditionally underserved businesses that received access to capital, management and technical assistance, and to federal procurement opportunities.
- **Implementation of Liquidation Improvement Field Reviews.** The office completed reviews of 26 district offices, which resulted in increased productivity and recovery of loan proceeds.

- Implementation of the Quality Service Review Pilot Program. The office completed the review of 13 district offices to identify best practices, reduce risk and improve performance.

Management & Administration

The agency's Facilities Management Branch has waged a sustained multi-year effort to reduce the SBA's administrative costs. The result: The SBA's rent bill for FY 1997 was not only \$1.2 million below the total rent cost for FY 1996, but also below the FY 1994 level. Although agency downsizing played a key role, it is also noteworthy that this was offset by normal rent increases and the acquisition of significant new space for loan processing centers, loan servicing centers, litigation centers and business information centers.

Equal Employment Opportunity & Civil Rights Compliance

The Office of Equal Employment Opportunity and Civil Rights Compliance, in conjunction with the Office of Human Resources, led the Agency's Affirmative Action/Employment Focus Group in implementing recommendations geared to help reduce the underrepresentation of women and minorities in the SBA workforce. EEO&CRC distributed specific underrepresentation data to each Field Office; issued, restructured and updated EEO and sexual harassment policy notices; and encouraged managers to proactively target resources to broaden applicant pools. Agency-wide underrepresentation was reduced as new employees were hired: of 229 new hires 156, or 68 percent, were women and minorities.

To support the Administrator's diversity and equality goals, EEO&CRC developed 15 information notices and co-sponsored seven interagency commemorative events to recognize the accomplishments of various ethnic groups and women. The Office also initiated and coordinated the Agency's participation in the Annual Blacks in Government Conference, by conducting four workshops on SBA financial and technical assistance available to prospective and established business owners. The participants represented 22 states and 18 government agencies.

EEO&CRC improved office efficiency and customer service by implementing strategies and management systems to facilitate the processing of formal EEO complaints. As a result the office closed 2 percent more cases in FY 1997 than in FY 1996; completed processing an aged backlog of nearly 100 cases; issued 9 percent more letters of acceptance than in FY 96; initiated the investigation of about 46 percent more cases than in FY 96; and increased the production of final agency decisions by 23.5 percent over the previous year.

Externally, EEO&CRC also used proactive strategies to ensure that recipients of SBA financial assistance carry out their business, employment and credit practices in a nondiscriminatory manner. The office conducted 282 compliance reviews of recipients and delivered technical assistance to SBA customers through individual counseling and group presentations.

Inspector General

For the first time, the Office of the Inspector General provided an incoming SBA Administrator with a summary of major issues facing the agency based on recent audit and inspection oversight, as well as on program vulnerabilities

identified through investigations conducted over the last few years. Following one particular investigation, a major CPA firm agreed in FY 1997 to pay \$6.1 million to settle SBA's claim that an inadequate audit contributed to the agency's loss when a sizable small business investment company failed. This was accomplished through a team effort involving the OIG, the SBA's Office of General Counsel and the Department of Justice.

General Counsel

The Office of General Counsel spearheaded an agency-wide initiative to update and rewrite all of the SBA's internal operating procedures. All rewriting was done in plain English, which greatly reduced unnecessary verbiage and length. As a result, 155 Standard Operating Procedures have been reduced to 80, and more than two-thirds of the total pages have been eliminated.

Working closely with 8(a) Program officials, and in response to the Adarand case and broad Department of Justice guidance, OGC prepared an extensive revision to the regulations implementing the 8(a) Program. With the design of a computerized database, the office was able to review all public comments (nearly 100) on the new regulations and have the final regulations ready for publication within a few weeks.

OGC staff traveled extensively with 8(a) Program personnel to participate in conferences, meetings and public events to explain the 8(a) Program and the SBA's new ideas for program implementation, and to address the concerns of the procurement community raised by the Adarand case. Additionally, the General Counsel and a representative from the SBA Administrator's office met with senior legal and procurement officials in some 20 government departments in Washington, D.C.

The General Counsel also met with representatives of the state of Alaska, Alaskan Natives and Native Americans to discuss SBA programs and assess their effectiveness in meeting small business needs. The insights obtained through these discussions and observations led to the Administrator's establishing a broad initiative to better serve all Native American small businesses and communities.

Hearings & Appeals

The Office of Hearings & Appeals implemented new office procedures during FY 1997, which resulted in faster disposition of cases. Disposition time was reduced to three to four months, down from four to six months the previous fiscal year. Many of OHA's FY 1997 decisions created new precedents. This was based on the 1996 regulatory revision, which required OHA judges to analyze complex factual, legal and procedural issues in numerous cases.

OHA also created a Freedom of Information Act public reading room in the agency's headquarters library.

For More Information

- Please see the U.S. Small Business Administration's *Fiscal Year 1997 Annual Report, Volume 2: 7(a) Loans, Surety Bond Guarantees and 8(a) Contracts* for a detailed listing of these activities.
- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- Answer Desk: 1-800-U-ASK-SBA
- Fax Number: 202-205-7064
- TDD Number: 704-344-6640
- Your rights to regulatory fairness: 1-800-REG-FAIR
- OnLine Electronic Bulletin Board (modem and computer required)
 - 1-800-697-4636 (*limited access*)
 - 1-900-463-4636 (*full access*)
 - 202-401-9600 (*D.C. metro area*)
- Internet
 - Home page:* www.sba.gov
 - Gopher:* <gopher.sba.gov>
 - File transfer protocol:* <ftp.sba.gov>
 - Telnet:* <telnet.sba.gov>
 - U.S. Business Advisor:* www.business.gov

SBA Affiliates

Inquire at your local SBA office for the location nearest you.

- Business Information Centers (BICs)
- Tribal Business Information Centers (TBICs)
- One Stop Capital Shops (OSCSs)
- Service Corps of Retired Executives (SCORE)
- Small Business Development Centers (SBDCs)
- U.S. Export Assistance Centers (USEACs)
- Women's Business Centers (WBCs)

SBA Publications

Call your local SBA office or the SBA Answer Desk.

- *The Resource Directory for Small Business Management* — a listing of low-cost business management publications and videotapes
- *The Facts About . . . SBA Publications* — a listing of free SBA publications

Did you know that in fiscal year 1997 the SBA —

- maintained a guaranteed-loan portfolio of more than \$29 billion in loans to 200,000 small businesses that otherwise would not have had such access to capital?
- backed over 49,400 loans totaling a record \$10.9 billion to America’s small businesses?
- made a record 2,700 investments worth \$2.37 billion through its venture capital program?
- provided 50,000 loans totaling \$1.1 billion to disaster victims for residential, personal-property and business losses?
- extended management and technical assistance to nearly 900,000 small businesses through its 12,400 Service Corps of Retired Executives volunteers and approximately 1,000 small business development center locations?
- assumed a leadership role in the President’s Welfare to Work Initiative by encouraging entrepreneurship and linking small businesses with potential employees?

Did you know that America’s 23 million small businesses —

- employ more than 50 percent of the private workforce,
- generate more than half of the nation’s gross domestic product, and
- are the principal source of new jobs?

An alphabetical listing of SBA field offices by state and city:

AK	Anchorage
AL	Birmingham
AR	Little Rock
AZ	Phoenix
CA	Fresno Glendale

	Sacramento San Diego San Francisco Santa Ana
CO	Denver
CT	Hartford
DC	Washington, D.C.
DE	Wilmington
FL	Coral Gables Jacksonville
GA	Atlanta
GU	Mongmong
HI	Honolulu
IA	Cedar Rapids Des Moines
ID	Boise
IL	Chicago Springfield
IN	Indianapolis
KS	Wichita
KY	Louisville
LA	New Orleans
MA	Boston Springfield
MD	Baltimore
ME	Augusta
MI	Detroit Marquette
MN	Minneapolis
MO	Kansas City St. Louis Springfield
MS	Gulfport Jackson
MT	Helena
NC	Charlotte
ND	Fargo
NE	Omaha
NH	Concord

NJ	Newark
NM	Albuquerque
NV	Las Vegas
NY	Buffalo Elmira Melville New York City Rochester Syracuse
OH	Cincinnati Cleveland Columbus
OK	Oklahoma City
OR	Portland
PA	Harrisburg Philadelphia Pittsburgh Wilkes-Barre
PR	Hato Rey
RI	Providence
SC	Columbia
SD	Sioux Falls
TN	Nashville
TX	Corpus Christi El Paso Fort Worth Harlingen Houston Lubbock San Antonio
UT	Salt Lake City
VA	Richmond
VT	Montpelier
WA	Seattle Spokane
WI	Madison Milwaukee
WV	Charleston Clarksburg
WY	Casper

Disaster Area Offices:

CA	Sacramento
GA	Atlanta
NY	Niagara Falls
TX	Ft. Worth

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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